



United States
Department of
Agriculture

Food and
Consumer
Service

Mountain
Plains
Region

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Reply to: SP 97-07
Attn. of: CACFP 490
SFSP 301

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Subject: Financial Management Summary

To: STATE AGENCY DIRECTORS (Child Nutrition Programs) -Colorado ED, Colorado DPHE, Colorado DHS,
Iowa, Kansas, Missouri ED, Missouri DH,
Montana OPI, Montana DPHHS, Nebraska ED,
Nebraska SS, North Dakota, South Dakota,
Utah, Wyoming ED, Wyoming DHSS

Attached is a Summary of Office of Management and Budget Circulars and Food and Consumer Services Codifying Regulations which was prepared to assist you in determining the applicability of the various circulars and regulations. We hope this information will be beneficial. You may want to share it with your Financial Management staff.

If you have any questions regarding this information, please contact a member of my staff.

for Edward F. Campbell
ANN C. DEGROAT
Regional Director
Child Nutrition Programs

Attachment

3. 7 CFR Part 3018 New Restrictions on Lobbying, February 26, 1990.

This Regulation delineates who is covered and who is excluded from this requirement, including the frequency of the certification. All primary recipients, and entities receiving subgrant awards and contracts from primary recipients that exceed \$100,000 are required to complete a certification statement.

SUMMARY

OMB CIRCULARS and FCS CODIFYING REGULATIONS

COST PRINCIPLES

1. **OMB Circular A-87, Cost Principles for State and Local Governments, May 17, 1995.**

This Circular provides principles for determining the allowable costs of programs administered by state, local and Indian tribal governments.

Attachment A contains general information on the Circular, definitions, basic guidelines for determining allowable costs, and discusses direct costs and indirect costs.

Attachment B contains principles to be applied in establishing whether certain items of cost are allowable or unallowable and lists certain items of cost, including both allowable and unallowable costs.

Attachment C discusses state/local-wide central service cost allocation plans.

Attachment D discusses public assistance cost allocation plans.

Attachment E discusses state and local indirect cost rate proposals.

The revision published in 1995 superseded the 1981 version. It added two new principles for allowing costs - that they be adequately documented and the grantee must identify them in accordance with Generally Accepted Accounting Principles. It added three new attachments, C, D and E, giving more information on the various types of required cost allocations plans and indirect cost rate proposals. It changed the definition of "equipment" by increasing the unit acquisition cost to \$5,000 and a useful life of more than a year or the grantee's own capitalization threshold, whichever is less. It expanded the guidance on documentation needed to support wages and salaries and charging fringe benefits, including pension costs and post-retirement health benefits to Federal programs. It clarified that legal costs

3. ***7 CFR 226, Child and Adult Day Care Food Program (CACFP) and 7 CFR 225, Summer Food Service Program.***

For-profit institutions operating the CACFP and/or SFSP must follow audit requirements prescribed in the applicable Regulations and policy memoranda.

4. ***7 CFR Part 3051, Audits of Institutions of Higher Education and Other Nonprofit Institutions, August 3, 1993.***

The Department used this Regulation to codify OMB Circular A-133 and to delete the audit requirements for institutions of higher education and other nonprofit institutions from 7 CFR 3015. The Department introduced in this Regulation the Child Nutrition Cluster and Food Distribution Cluster to define "one program" as a cluster of closely related categorical food assistance programs and to consider the categorical programs as "awards" under that one program.

ADMINISTRATIVE REQUIREMENTS

1. ***7 CFR Part 3017 Governmentwide Debarment and Suspension (nonprocurement), January 30, 1989.***

This Regulation delineates who is covered and who is excluded from this requirement. On September 26, 1995, the Department noted that the October 13, 1994 increase in the small purchase threshold to \$100,000 applied to 7 CFR 3017. As a result, the certification statement is required for all transactions of \$100,000 or more. The \$100,000 threshold does not apply to contracts involving principal investigators or auditors completing Federally required audit services. A certification statement is always required, regardless of the value of the contract, for these services.

2. ***7 CFR Part 3017 SUBPART F Governmentwide Requirements for Drug-Free Workplace (Grants), May 25, 1990.***

This Regulation discusses who is covered and excluded from this requirement, and the specific requirements, including the frequency of the certification. Primary recipients are required to complete a one-time certification.

intrinsic to administering the programs are allowable while costs of prosecuting claims against the Federal Government remains unallowable. It expanded the allowability of interest cost related to acquiring capital assets used in Federal programs and established rules for Federal participation in the cost of capital leases.

2. OMB Circular A-122, Cost Principles for Nonprofit Organizations, June 27, 1980; Lobbying Revisions dated May 29, 1984 and May 19, 1987; Interest Revision dated October 6, 1995.

This Circular provides principles for determining the allowable costs of programs administered by nonprofit organizations.

Attachment A contains factors affecting allowability of costs, discusses direct costs, indirect costs and cost allocation plans.

Attachment B contains general principles for establishing the allowability of costs.

Attachment C lists nonprofit organizations that are not subject to this Circular.

The Lobbying revision that became effective in May 1984 was issued to implement restrictions on using Federal funds to pay for costs associated with most kinds of lobbying activities. The revision created a new paragraph, B 21 Lobbying, in Attachment B. The 1987 revision clarified requirements for maintenance and access to records for costs associated with lobbying.

The October 1995 revision established conditions under which interest on funds borrowed to acquire capital assets would be allowable costs that could be claimed for reimbursement.

3. OMB Circular A-21, Cost Principles for Universities, Revision and Recompile dated May 8, 1996.

This Circular provides the same type of information as A-87 and A-122 as it applies to colleges and universities. The term "indirect" costs was changed to "facilities and administrative" (F & A) costs. The definition of

after-the-award requirements and contract provisions. Subpart C - Post-Award Requirements covers areas that are used most often; i.e., financial and program management, property standards, procurement standards, and reports and records. Attachment A lists the provisions that all contracts must contain.

AUDITS

1. ***OMB Circular A-128, Audits of State and Local Governments, April 12, 1985.***

This Circular was issued to implement the single Audit Act of 1984 and is applicable for state and local governments and Indian tribal organizations. 7 CFR 3015 codifies Circular A-128. The Circular delineates several areas, ones of particular interest being who is required to have an audit, the scope and frequency, state agency responsibilities in relation to audits of their subrecipients and audit resolution.

2. ***OMB Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Organizations, March 16, 1990; Revision dated April 30, 1996.***

This Circular implemented the audit requirements for private nonprofit organizations and institutions of higher education. 7 CFR 3051 codifies Circular A-133. It contains the same type of information as A-128 but as it applies to nongovernmental entities.

The revision of April 1996 will become effective for audits of grantees whose fiscal years begin on or after July 1, 1996. However, until the Department issues Regulations or an implementation directive, the Circular cannot be implemented. Once implemented, the provisions of the Circular will be applied to all grantees, including public grantees. Under this revision, an entity receiving under \$300,000 will have no Federal audit requirement. It gives guidance on making program-specific audits. It defines major programs now in terms of risk, rather than in terms of dollars. It also improved the reporting requirements. It discusses the selection of the auditor and gives extensive guidance on resolving audit findings and documenting such resolution. Responsibilities of all parties are spelled out in great detail. The USDA clustering concept has been adopted as governmentwide policy.

"equipment" was amended by increasing the capitalization threshold to \$5,000. This change becomes effective for an organization at the beginning of its next F & A cost rate agreement negotiation period.

4. 48 CFR 31, Contract Cost Principles and Procedures

This Regulation provides the principles to be used for determining the allowability of costs of activities conducted by for-profit organizations.

GENERAL FINANCIAL MANAGEMENT RULES

1. *OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments, Revision dated March 11, 1988; Revision dated October 7, 1994.*

The 1994 revision was issued to cover management of grants for nonentitlement programs between Federal agencies and State, local and ITO entities. The 1988 revision and common rule, including Subparts A-E, for nonentitlement programs replaced Circular A-102 dated January 1981. The revised Circular establishes consistency and uniformity in the management of grants and cooperative agreements with State, local and Indian tribal governments. It contains information on pre-award and post-award policies and after-the-grant policies. The Department codified this version of the Circular in Departmental Regulation, 7 CFR 3016 (see below).

Entitlement programs must continue to comply with the January 1981 version of A-102 and 7 CFR 3015 (see below).

2. *OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations, Revised November 29, 1993.*

This Circular contains information that nongovernmental agencies administering Federally funded nonentitlement programs must comply with for pre-award and post-award policies, after-the-grant policies and contract provisions. When the Department codified this revised Circular as 7 CFR Part 3019, it specifically exempted entitlement programs from coverage. As a result, even though the threshold for small purchases was changed to \$25,000 in the 1993 revision, the \$10,000 threshold must still be used

because entitlement programs are still governed by the July 30, 1976 version of this Circular.

3. 7 CFR Part 3015 Uniform Federal Assistance Regulations, January 1991; amended August 24, 1995.

Open-ended entitlement programs whether operated by governmental or nongovernmental organizations are covered by Part 3015. Most of our Child Nutrition Programs (CNP), including State Administrative Expense Funds for CNP and State Administrative Funds for the Summer Food Service Program (SFSP), are entitlement programs that must comply with Part 3015.

This Regulation provides general management rules in 20 subparts. The subparts that are most often used are those that deal with procurement; property, including property management and disposition procedures; audits; record retention; and grant related income. This Regulation incorporated the provisions of OMB Circulars A-102 (1981 version) and A-110 (1976 version). As a result, the procurement guidelines contained in both of the older versions of the Circulars, including the small purchase threshold of \$10,000 remains applicable for entitlement programs.

4. 7 CFR Part 3016 Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, April 19, 1995.

Nonentitlement programs operated by State and local governments must comply with this Regulation. The Nutrition Education and Training (NET) Program grants, Child and Adult Care Food Program (CACFP) start-up and expansion grants and TNT grants are examples of nonentitlement CNP. Because this Regulation incorporated the 1988 revision of OMB Circular A-102, the small purchase threshold was revised to \$100,000.

5. 7 CFR Part 3019 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, August 24, 1995.

The Department used this Regulation to codify the November 29, 1993 revision to OMB Circular A-110. Nongovernmental agencies receiving nonentitlement program funds, such as NET Program grants, CACFP start-up and expansion grants and TNT grants, must comply with this Regulation. It contains information relative to pre-award and post-award requirements,